

WEST VIRGINIA INFORMATIONAL LETTER
INSURANCE COMMISSIONER

No. 1
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TERMINATION OF AUTOMOBILE LIABILITY INSURANCE

The problem resulting from the termination of automobile insurance is a very real one to many individuals. The percentage of motorists affected by company cancellation is admittedly small but numerically significant. The problem to such an individual is both practical and emotional. Practical - in that automobile insurance is virtually a necessity of life in our society, and emotional - in that he frequently interprets such cancellation to be a personal rebuff.

The legislative bodies of many states have acted in this field as did our own legislature during its recent session.

The statute passed by our legislature prohibits cancellation in mid-term except for certain reasons and requires an underwriter to give an insured 45 days notice of the company's intention to non-renew. The statute does not restrict the underwriter from cancelling during the first 60 days that the policy is in force.

So long as insurance is not a public utility, we are convinced that any attempt by our department to closely control underwriting attitudes beyond that area delineated by the legislature would be administratively impossible and intellectually impertinent. In spite of this firm conviction an area of abuse exists to which we feel constrained to voice our opinion and departmental attitude.

We believe it to be patently illogical and unfair for an automobile underwriter to decline an application for insurance, cancel a policy, or non-renew a policy solely because a competing underwriter has declined, cancelled, or non-renewed. Such an underwriting policy is quite contagious and effectively "black balls" the individual from the standard insurance market, and results in such individual being the victim of an unintentional but nevertheless very real economic boycott. This is inherently wrong. We feel that a company should underwrite its applicants and not merely rely upon the underwriting judgment of another company.

We earnestly solicit the cooperation of all companies and ask that you refrain from such underwriting practices. Failure on the part of any company to observe this principle of basic equity and fair play will compel us to take appropriate administrative action. The purpose of this letter is not to inhibit or restrict underwriting freedom. Quite to the contrary, we believe the principle herein stated should serve to encourage truly imaginative and independent underwriting.

Frank R. Montgomery
Insurance Commissioner